

## Message Text

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16

ORIGIN TRSE-00

INFO OCT-01 EUR-12 IO-10 ISO-00 EA-06 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-01 H-01 INR-05

INT-05 L-02 LAB-01 NSAE-00 NSC-05 PA-01 RSC-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 USIA-06 PRS-01 SP-02

OMB-01 SWF-01 /099 R

DRAFTED BY TREAS:DSTOUGMTON; MBRADFIELD

APPROVED BY EB/IFD/OMA:RRYAN

TREAS:RALBRECHT      TREAS:RPATRICK

TREAS:WBARREDA      TREAS:NGORDON

STR:AWOLFE      STR:TGRAHAM

STATE:NHRIEGG      STATE:ECONSTABLE

STATE:RHARDING

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R 271500Z NOV 74

FM SECSTATE WASHDC

TO USMISSION GENEVA

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. : 11652 N/A

TAGS : EFIN

SUBJECT: GATT PANELS ON THE DISC AND RELATED TAX PRACTICES

REF : A) GENEVA 6810; B) STATE 51163; C) TOKYO 3928

1. REQUEST YOU INFORM EC REPRESENTATIVE THAT WE ARE UNABLE

TO ACCEPT PARRY AS TAX EXPERT MEMBER OF PANELS FOR THE

FOLLOWING REASON. CANADA MADE A STRONG STATEMENT IN THE  
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GATT AGAINST THE DISC LEGISLATION AND HAS INDICATED THAT IT

WISHES TO JOIN EC IN DISC COMPLAINT AS A PARTY. MOREOVER, DISC IS A MAJOR POLITICAL ISSUE IN CANADA. WE FEEL THAT PARTICIPATION IN THE PANELS COULD PUT PARRY IN A DIFFICULT POSITION AND CONSEQUENTLY, IT SEEMS TO US THAT PARRY WOULD BE AN INAPPROPRIATE CHOICE.

2. REQUEST THAT YOU FURTHER INFORM EC REPRESENTATIVE THAT WE GREATLY REGRET THAT VOGEL WITHDREW, THAT WE ARE NOT ABLE TO REACH AGREEMENT ON PHILIPP AND THAT PARRY NOW SEEMS INAPPROPRIATE. WE HAVE REVIEWED THESE EVENTS AND ARE EQUALLY CONCERNED ABOUT THE DELAY IN ESTABLISHING THE PANEL, AS WE REGARD THE PANEL METHOD OF RESOLVING DISPUTES AS A CRUCIAL ELEMENT IN FUTURE EVOLUTION OF GATT. WE ALSO NOTE THAT WE MADE OUR VIEWS KNOWN TO PHILIPP AS EARLY AS LAST AUGUST, AND THAT DESPITE OUR CONTINUED URGING, THE EC HAS NOT JOINED IN AN APPROACH TO THE IMF TO SECURE ITS AGREEMENT TO MAKE A STAFF EXPERT AVAILABLE TO THE PANEL.

3. INFORM EC REPRESENTATIVE FURTHER THAT, WITH ALL THIS IN MIND, WE HAVE MADE EVERY EFFORT TO RESPOND CONSTRUCTIVELY TO EC'S LATEST PANEL MEMBERSHIP PROPOSAL IN THE HOPE THAT NAMING A NEUTRAL PERSON WITH EXPERT KNOWLEDGE IN THE TAX FIELD WOULD RESOLVE OUR PRESENT DILEMMA. ACCORDINGLY, WE SUGGEST HIROSHI KANEKO, AN EMINENT PROFESSOR OF TAX LAW AT THE UNIVERSITY OF TOKYO IN JAPAN (REFS. B AND C) IN PLACE OF PARRY. WE BELIEVE OUR PROPOSAL OF KANEKO IS A REASONABLE ACCOMMODATION OF THE CONCERNS OF EC IN INSURING A NEUTRAL AND IMPARTIAL PANEL. WE HAVE TENTATIVELY APPROACHED KANEKO AND HE HAS INDICATED HIS WILLINGNESS TO SERVE ON PANELS.

4. AS A FURTHER ACCOMMODATION TO EC, REQUEST YOU FURTHER INFORM EC REPRESENTATIVE THAT ALTHOUGH WE MUCH PREFER GOODE BECAUSE HIS QUALIFICATIONS ARE WELL KNOWN TO US, WE ARE WILLING TO ACCEPT MUTEN IN PLACE OF PREVIOUSLY AGREED GOODE IN THE INTEREST OF FURTHERING SPEEDY SELECTION OF PANEL MEMBERSHIP. INGERSOLL

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